

Scientific Bulletin of Mukachevo State University

Series

Economics

Volume 11, No. 2, 65-78

Journal homepage: <https://economics-msu.com.ua/en>

UDC 336.1:336.7

DOI: 10.52566/msu-econ2.2024.65

Importance of proper management of public finances in economic development

Bahri Rexha

Doctor of Law, Associate Professor

Business College

1000, 29 Motrat Qiriazi Str., Prishtina, Republic of Kosovo

<https://orcid.org/0000-0001-6510-1900>

Fadil Osmani*

Doctor of Law, Associate Professor

Public University Kadri Zeka

6000, Zija Shemsiu Str., Gjilan, Republic of Kosovo

<https://orcid.org/0000-0001-6055-5647>

Artan Nimani

Doctor of Economic Sciences, Associate Professor

University "Fehmi Agani" in Gjakova

50000, Ismail Qemali Str., Gjakova, Republic of Kosovo

<https://orcid.org/0000-0001-6972-9172>

Abstract. The purpose of this study was to examine the importance of proper public financial management to ensure economic development in the Western Balkan countries. The study was based on a comparative analysis of financial policies and budget management practices in the countries belonging to the Western Balkans region, namely Albania, Bosnia and Herzegovina, Croatia, Montenegro, North Macedonia, the Republic of Kosovo, and Serbia. The methodological approach included analyses of statistical data from official websites and sources. The key findings of this study included coverage of the role of money in the proper management of public finances, as well as the analysis of the economic policy and management of economic resources of each country in the Western Balkans and comparison of the dynamics of the state budget, revenues, and expenditures for 2021-2023 of all countries in the Western Balkans region. Based on the analysis of statistical data, key aspects affecting the efficiency of public financial management in the Western Balkans were identified, such as the transparency of budgetary processes, the effectiveness of the fight against corruption, and

Received: 12.02.2024, Revised: 02.05.2024, Accepted: 28.06.2024

Suggested Citation: Rexha, B., Osmani, F., & Nimani, A. (2024). Importance of proper management of public finances in economic development. *Scientific Bulletin of Mukachevo State University. Series "Economics"*, 11(2), 65-78. doi: 10.52566/msu-econ2.2024.65.



Copyright © The Author(s). This is an open access article distributed under the terms of the Creative Commons Attribution License 4.0 (<https://creativecommons.org/licenses/by/4.0/>)

*Corresponding author

the efficiency of the use of financial resources. The unique and objective data obtained in the study helped to cover the specifics of financial management in each of the countries of the region and identify factors limiting or facilitating their economic development. The conclusions of the study emphasised the need for reforms in public financial management in the Western Balkans to support sustainable economic growth and socio-economic stability in the region. A special focus on transparency, efficiency, and accountability for budget spending can help increase investor confidence and strengthen the country's economic system

Keywords: financial sustainability; budget deficit; revenue diversification; macroeconomics; management efficiency

Introduction

Public financial management is one of the key components of any country's economic policy and has a decisive impact on its economic development and stability. In the context of the current challenges and instability of the world economic situation, especially in the context of global crises and recovery from them, the significance of sound public financial management becomes even more relevant. Public financial management in the Western Balkan countries is a particularly relevant issue in the context of their economic development and integration into the global economic system. In recent decades, the region has experienced considerable changes, including political, economic, and socio-cultural transformations. However, the instability and weaknesses in the management of financial resources in the countries of this region have been repeatedly noted, making their path to sustainable economic growth much more difficult.

The problem addressed by this study was to identify and analyse the complexities arising in public financial management in the Western Balkan countries. The rationale behind the choice of the problematic of this study stemmed from the need to scrutinise the management of public money in the Western Balkan countries. Countries in the region, like Kosovo, Albania, North Macedonia, Montenegro, face a range of economic and social challenges that limit the region's development. Lack of public financial management can be an obstacle to achieving stability and sustainable economic growth in this region (Loxha, 2019).

The problem of the branch under study lies in the issue of corruption, public debt, the impact of taxation on the budget deficit of the Western Balkan countries. Several researchers have already addressed this topic, including N. Feruni *et al.* (2020), S. Kihombo *et al.* (2021), F. Morina & V. Misiri (2019). Their studies analysed the impact of corruption on the economic development of the Western Balkan countries, where they found a negative relationship of the impact of corruption, which can be devastating in the Western Balkans, but on the positive side they found benefits from economic freedom and urbanisation compared to the European Union countries. It was also noted that public debt has a weak but statistically significant negative impact on economic growth in the Western Balkan countries. The recommendations therefore accommodated the need for fiscal sustainability measures and effective debt management by governments in the region, since exceeding the threshold of 50.87% of gross

domestic product (GDP) could adversely affect economic growth (Bexheti *et al.*, 2020).

When analysing the studies on economic development, innovative financing of goals related to financial integration in the Western Balkan countries, it was found that the I. Lukšić *et al.* (2022), S. Çitaku *et al.* (2020) focused on economic development through the use of bonds and investments designed to attract more financial resources to support the sustainable development goals of the six countries of the Western Balkans. The need to reduce the size of government to promote economic growth by reviewing tax and spending policies was also analysed (Bajra, 2021; Bajrami *et al.*, 2022). Therefore, it is important for the Western Balkan countries to have a prior knowledge and understanding of the institutional and functional development of the financial system in the European Union, specifically the banking arrangements.

The purpose of this study is to examine the role of effective public financial management in promoting sustainable economic development in the Western Balkan countries. To fulfil this purpose, several tasks should be accomplished: to analyse the current state of public financial management practices in the Western Balkan countries; to identify the key challenges and issues affecting the efficiency of public financial management in the region; to develop recommendations for improving public financial management systems in the Western Balkan countries to support sustainable economic growth.

Materials and Methods

The study employed a mixed-methods approach, combining quantitative and qualitative analysis techniques to examine the role of public financial management in promoting economic development in the Western Balkan countries. The qualitative analysis involved a comprehensive review of existing literature, policy documents, and reports related to public financial management and economic development in the Western Balkans. Academic journal articles, publications by international organizations, think-tank reports, and government policy papers were consulted to gain insights into the policy frameworks, institutional arrangements, and key issues affecting public financial management in each country. This literature review helped identify the critical aspects of public financial management systems, such as budgeting processes, expenditure management, revenue

mobilization, debt sustainability, and financial transparency and accountability mechanisms.

To analyse the current state of public financial management, a structured assessment framework was developed based on internationally recognized principles and standards of good governance, such as those promoted by the International Monetary Fund (IMF), World Bank, and the Organization for Economic Cooperation and Development (OECD). This framework evaluated various dimensions of public financial management systems, including fiscal policy and budgeting, revenue administration, public expenditure management, accounting and reporting, and external audit and oversight.

The assessment involved examining the legal and regulatory frameworks governing public financial management in each country, as well as the institutional capacities and practices of relevant government agencies and ministries. Data was collected through desk research, analysis of official documents and reports, and consultations with experts and stakeholders when necessary.

To identify key challenges, the assessment results were compared against international best practices and benchmarks for effective public financial management. Gaps, weaknesses, and areas for improvement were identified through this comparative analysis. Additionally, potential risks and vulnerabilities arising from factors like corruption, political instability, or external shocks were also considered. The findings from the quantitative and qualitative analyses were synthesized to develop a comprehensive understanding of the state of public financial management in the Western Balkans and its impact on economic development. Based on this understanding, recommendations for strengthening public financial management systems were formulated, taking into account the specific contexts and needs of each country in the region.

The materials used in the study are significant information resources that have contributed to a thorough analysis of public financial management in the countries of the Western Balkans region. For the quantitative analysis, statistical data from official websites such as the Central Bank of Bosnia and Herzegovina (2023), the National Bank of the Republic of Macedonia (n.d.), the Statistical Office of Montenegro (n.d.), the Statistical Office of the Republic of Serbia (2023), the Croatian National Bank (2024), the official website of the Ministry of Finance of the Republic of Albania (2024), the Central Bank of the Republic of Kosovo (2024), Trading Economics (n.d.) and Take-profit.org (n.d.) were used. The study also used information from the Significance of Money (2023), D. Jajcanin (2024), and Montenegro Government Revenues (n.d.), providing additional context for understanding the management and current state of public resources in the countries of the Western Balkans region.

The recommendations focused on measures to enhance fiscal transparency, improve budget execution and expenditure control, mobilize domestic resources more effectively, ensure debt sustainability, and strengthen governance and accountability mechanisms. International best practices, successful reform experiences from other countries, and inputs from relevant stakeholders were taken into consideration while developing these recommendations.

Results

In modern world, where almost all transactions are made with money, its role in government regulation of the economy becomes critical. Thus, understanding and effective use of money becomes a key objective of government regulation of the economy. The role of money in modern conditions of economic regulation by the state is defined through several key aspects, which are presented in Figure 1.

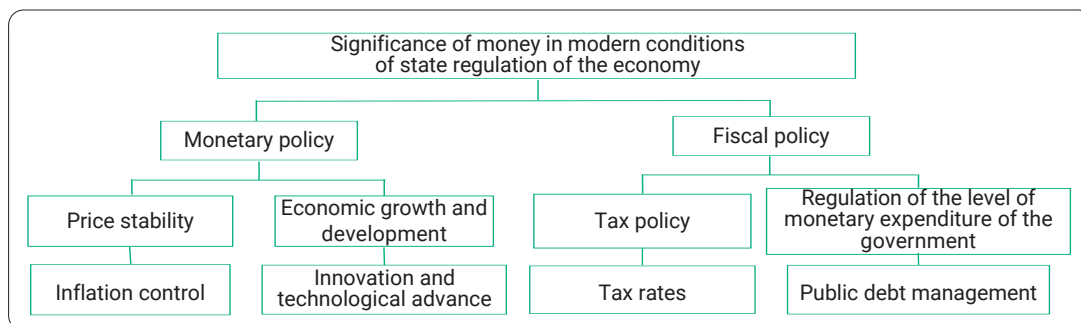


Figure 1. Role of money in modern conditions of state regulation of the economy

Source: developed by the authors based on Significance of Money (2023)

The value of money lies in monetary policy, which is managed by the central bank by regulating interest rates, the money supply, and liquidity. These policies ensure price stability, affecting purchasing power, business competitiveness, and overall economic stability. Stable prices allow consumers to predict spending and businesses to plan production accurately. To maintain stability, the government uses monetary measures to control money

supply and interest rates. Inflation threatens economic stability by reducing the purchasing power and competitiveness of businesses. Government intervention controls inflation through monetary measures, building confidence and supporting economic growth. Growth depends on increased production and incomes, which helps create the conditions for technological innovation (Melnykova, 2023). Money provides funding for projects,

infrastructure, research, and education, contributing to sustainable economic growth.

In a publicly regulated economy, investment in innovation and technology is vital to fostering economic growth and enhancing national competitiveness. Money is a key resource for financing research, development, and innovation projects, often surpassing the capabilities of the private sector. Governments contribute to this by implementing policies and initiatives to support research, technology development, and startups. In addition, money is an integral part of fiscal policy, which allows for the collection of taxes to fund various programs such as education, healthcare, and infrastructure. Fiscal policy regulates government spending on social programs, infrastructure, and education in order to promote growth and stability (Makohon, 2022). Tax policy, a component of fiscal policy, sets rates and rules to ensure that revenues are raised for public purposes, contributing to the distribution of wealth and reducing inequality. Public debt management is also

part of fiscal policy and requires careful monitoring to avoid future financial crises. Ultimately, fiscal policy is the most important tool for achieving economic stability and promoting growth.

Various aspects of the role of money were examined in the modern economic context, including its significance in government regulation of the economy, fiscal policy, stimulating economic growth and investment. It was found that money affects price levels, interest rates, consumer opportunities, and the investment climate, making it a key element in the management of a country's economy. Using the Trading Economics (n.d.) and Take-profit.org (n.d.) websites, the current state of public money management in the Western Balkan countries was analysed. A comparative analysis of public financial management in the countries of the Western Balkans region is vital for understanding financial sustainability and governance effectiveness in this region. Therefore, Figure 2 presents a comparison of the state budget of the Western Balkan countries for 2021-2023.

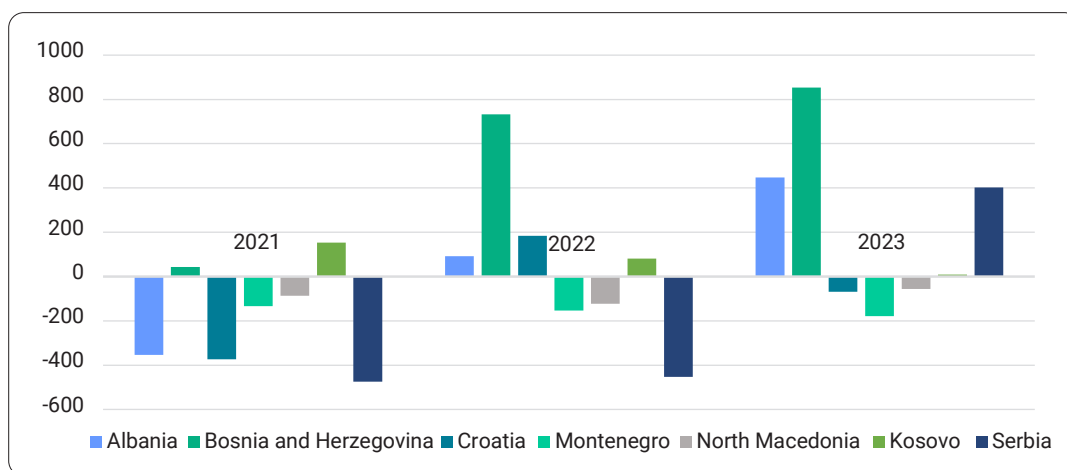


Figure 2. State budget dynamics in the countries of the Western Balkans region for 2019-2023, million EUR

Source: developed by the authors based on the Central Bank of Bosnia and Herzegovina (2023), the National Bank of the Republic of Macedonia (n.d.), the Statistical Office of Montenegro (n.d.), the Statistical Office of the Republic of Serbia (2023), the Croatian National Bank (2024), the official website of the Ministry of Finance of the Republic of Albania (2024), the Central Bank of the Republic of Kosovo (2024), Trading Economics (n.d.) and Take-profit.org (n.d.)

The budget balance analysis of Western Balkan countries from 2021 to 2023 reveals diverse fiscal trends. Albania showed significant improvement, transitioning from a deficit of -354.6 million EUR in 2021 to a surplus of 447.44 million EUR in 2023. Bosnia and Herzegovina demonstrated continuous growth, with an impressive increase from 43.98 million EUR in 2021 to 854.04 million EUR in 2023. Croatia experienced fluctuations, with a notable improvement in 2022 followed by a return to deficit in 2023. Montenegro faced persistent deficits, worsening from -133.1 million EUR in 2021 to -178.5 million EUR in 2023. North Macedonia maintained consistent deficits, though the negative balance reduced in 2023. Kosovo consistently showed positive values, though decreasing from 154 million EUR in 2021 to 8.5 million EUR in 2023. Serbia, which had a significant negative balance,

improved to a surplus in 2023. Some countries have positive values, indicating economic improvement, while others have negative values, which may indicate financial problems. For instance, Bosnia and Herzegovina has considerable budget growth from 2021 to 2023, while Serbia has a large negative balance in 2021 but experiences an improvement in 2023. Countries with better governance and less corruption may have a more stable financial sector and the ability to more effectively attract and utilise financial resources for economic development. On the other hand, countries with less developed financial systems and higher levels of corruption may have limited opportunities to attract investment and create stable government budgets.

Figure 3 shows a comparison of the state income of the Western Balkan countries for 2021-2023.

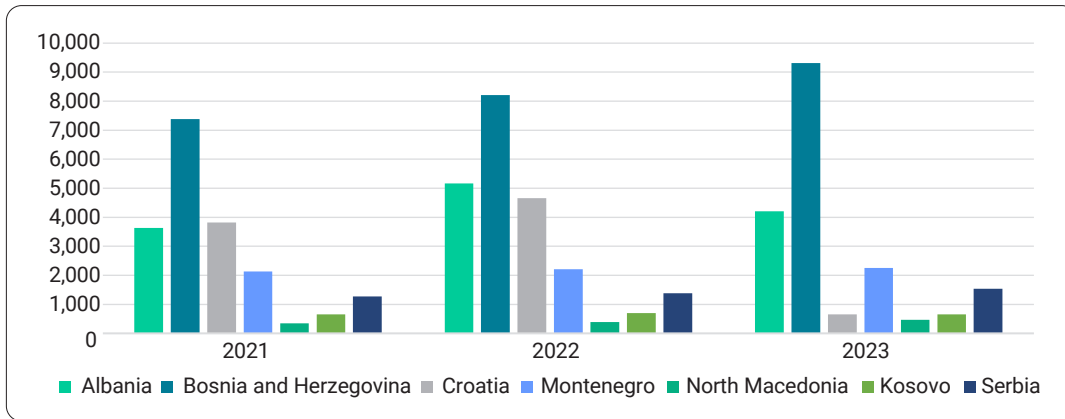


Figure 3. Public revenue dynamics in the countries of the Western Balkans region for 2019-2023, million EUR

Source: developed by the authors based on the Central Bank of Bosnia and Herzegovina (2023), the National Bank of the Republic of Macedonia (n.d.), the Statistical Office of Montenegro (n.d.), the Statistical Office of the Republic of Serbia (2023), the Croatian National Bank (2024), the official website of the Ministry of Finance of the Republic of Albania (2024), the Central Bank of the Republic of Kosovo (2024), Trading Economics (n.d.) and Take-profit.org (n.d.)

The analysis of public revenue in Western Balkan countries from 2021 to 2023 shows varied trends. Albania experienced a significant revenue increase in 2022 but a drop in 2023. Bosnia and Herzegovina demonstrated steady growth each year, reaching 9314.16 million EUR in 2023. Croatia saw a sharp decline in revenue in 2023 following a peak in 2022. Montenegro exhibited a gradual increase in revenues, while North Macedonia had a moderate revenue increase each year. Kosovo’s revenues fluctuated slightly, with a slight decrease in 2023. Serbia consistently showed growth in revenues over the years.

Some trends in the dynamics of public revenues of the Western Balkan countries over the three years were

observed. According to general indicators, most countries have experienced a year-on-year increase in government revenues. For instance, Bosnia and Herzegovina, Albania, Montenegro, and Serbia showed steady increases in revenues. However, there are countries with fluctuations in the level of government revenues. For example, Croatia has a considerable decrease in 2023 compared to 2022, which could be explained by economic or political factors. Some countries, such as Kosovo and North Macedonia, have lower revenues than other countries in the region. This may be due to economic hardship, political instability, or other factors.

Figure 4 shows the comparison of public expenditure of the Western Balkan countries for 2021-2023.

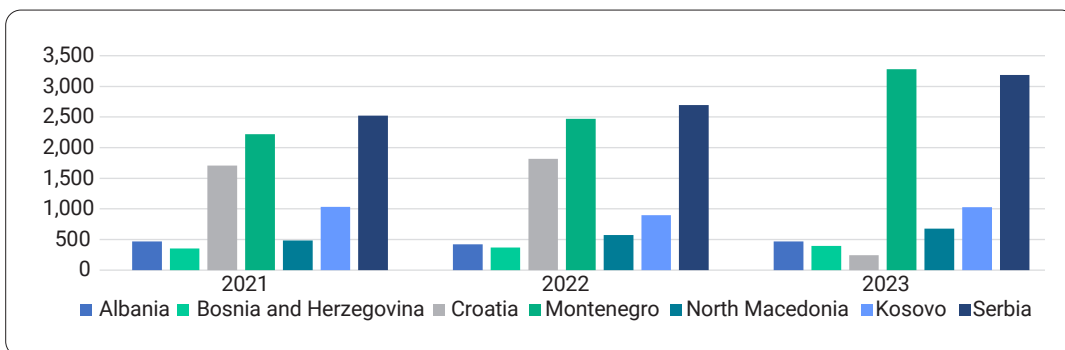


Figure 4. Dynamics of public expenditure in the countries of the Western Balkans region for 2019-2023, million EUR

Source: developed by the authors based on the Central Bank of Bosnia and Herzegovina (2023), the National Bank of the Republic of Macedonia (n.d.), the Statistical Office of Montenegro (n.d.), the Statistical Office of the Republic of Serbia (2023), the Croatian National Bank (2024), the official website of the Ministry of Finance of the Republic of Albania (2024), the Central Bank of the Republic of Kosovo (2024), Trading Economics (n.d.) and Take-profit.org (n.d.)

The analysis of public expenditure in Western Balkan countries from 2021 to 2023 highlights different spending patterns. Albania experienced slight fluctuations in expenditure, ending with a slight increase from 466.71 million EUR in 2021 to 468.93 million EUR in 2023. Bosnia

and Herzegovina consistently increased their expenditure each year, from 352.2 million EUR in 2021 to 394.5 million EUR in 2023. Croatia saw a significant decrease in expenditure from 1,707.43 million EUR in 2021 to 242.81 million EUR in 2023. Montenegro had a sharp increase in spending

from 2221 million EUR in 2021 to 3282 million EUR in 2023, likely due to infrastructure or social program investments. North Macedonia showed a steady increase in expenditure each year, from 486.66 million EUR in 2021 to 676.69 million EUR in 2023. Kosovo's expenditures fluctuated, with an increase from 1033 million EUR in 2021 to 1027 million EUR in 2023. Serbia demonstrated consistent growth in expenditure, with a notable increase from 2,521.85 million EUR in 2021 to 3,188.09 million EUR in 2023.

Croatia has a significant increase in spending in 2023 compared to previous years, which may be the result of reforms or new programmes. Montenegro also has a notable increase in spending in 2023, which may indicate an increase in social, infrastructure, or other programmes. Kosovo and Serbia are also characterised by rising costs over three years, which may be related to infrastructure development. Northern Macedonia has also experienced an increase in expenditure, but less significant compared to other countries. Albania, Bosnia, and Herzegovina have a slight decrease in expenditure in 2022, but then show an increase again in 2023. Overall, these data show different trends in the development of budget expenditures in the Western Balkan countries, which may be driven by economic conditions, political decisions, or social needs.

Analysis of data on budget balance, public revenues and public expenditures of Albania, Bosnia and Herzegovina, Croatia, Montenegro, North Macedonia, Kosovo and Serbia for the period from 2021 to 2023 reveals significant economic trends and fiscal management strategies. Albania's budget balance shows a marked improvement from a deficit of -9.8% in 2021 to a surplus of 11.8% in 2023. This significant turnaround coincides with fluctuations in government revenues and expenditures. Government revenues peaked at 72.0% of GDP in 2022 before falling slightly to 67.5% in 2023. At the same time, government spending showed a slight increase to 7.5% in 2023 after declining to 5.9% in 2022. This indicates a strategic approach to increase revenues while controlling expenditures, resulting in a positive budget balance.

Bosnia and Herzegovina has experienced a consistent budget surplus, with the largest increase coming in 2022 at 20.4 percent of GDP, rising slightly to 22.5 percent in 2023. Government revenues grew steadily to reach 90.6 percent of GDP in 2023, indicating effective revenue collection mechanisms. Public expenditures also increased slightly but remained relatively low compared to revenues, indicating prudent financial management supporting a budget surplus. Croatia's fiscal performance presents a mixed picture. The country moved from a large deficit of -9.7 percent in 2021 to a surplus of 4.8 percent in 2022, before returning to a small deficit of -1.8 percent in 2023. These fluctuations coincide with changes in government revenue, which rose to 69.1% of GDP in 2022 before falling to 10.3% in 2023. Government spending also changed significantly, peaking at 27.0% in 2022. The dramatic changes indicate instability in revenue sources and problems in expenditure management.

Montenegro faced a persistent budget deficit that increased from -6.2% in 2021 to -8.3% in 2023. Government revenues showed steady but modest growth, reaching 54.5% of GDP in 2023. However, public expenditure rose sharply to 78.8% of GDP in 2023, outpacing revenues and exacerbating the fiscal deficit. This picture is indicative of significant fiscal stress and potential problems with the effective management of public funds. North Macedonia's fiscal deficit has shown improvement, declining from -2.4 percent in 2021 to -1.5 percent in 2023. Government revenues grew steadily, reaching 19.0% of GDP in 2023, while government expenditures also increased to 27.7% of GDP in 2023. Despite the increase in expenditures, the growth rate has been kept relatively low, indicating a balanced approach to fiscal policy.

Kosovo shows a decline in its budget surplus from 7.5% in 2021 to 0.4% in 2023. Government revenues have remained relatively stable at around 30% of GDP, but public expenditures have increased significantly to 46.9% of GDP in 2023. The narrowing surplus reflects the challenges of managing rising expenditures while maintaining revenue levels. Serbia experienced significant fluctuations in fiscal performance, with high deficits of -12.1% in 2021 and -11.5% in 2022, followed by a large surplus of 10.2% in 2023. Government revenues grew steadily, reaching 27.2% of GDP in 2023, while government spending also grew, peaking at 56.9% in 2023. A sharp shift from deficit to surplus implies significant changes in fiscal policy or extraordinary sources of revenue in 2023.

The findings show a wide range of budgetary performance and strategies in the analysed countries. Albania, Bosnia and Herzegovina, and Serbia have made notable progress in improving their budget balances, while Montenegro and North Macedonia are experiencing difficulties in managing their expenditures. The declining surplus in Kosovo and the shifting budget balance in Croatia indicate instability and underscore the need to strengthen fiscal management. How any country manages its public revenues and expenditures is critical in determining its economic stability and growth potential.

The policies and management of economic resources of each of the countries in the Western Balkans region were then analysed. Albania's economic policy aims at reform and modernisation. The country is actively undertaking various measures to stimulate business and attract investment. One of the key strategies is to simplify the tax system and reduce tax burdens on business, which stimulates entrepreneurial activity and investment. Furthermore, the Albanian government is actively working on infrastructure development and support for small and medium-sized businesses. Infrastructure projects such as roads, airports, and tourism development contribute to economic growth and create new jobs. Specifically, Albania is actively developing tourism as one of the main areas of development. The attraction of foreign tourists and the development of tourism infrastructure contribute to the country's foreign exchange earnings and stimulate economic development.

However, Albania also faces internal challenges, such as corruption and an underdeveloped legal system, which can inhibit business and investment. Such problems need systemic reforms and a stronger fight against corruption to create a climate favourable to business and investment.

In the context of economic policy, Bosnia and Herzegovina is on the road to recovery and development after a war that severely damaged its economy. The country is taking various measures to stimulate economic growth and support businesses. One of the primary areas of economic policy is attraction of foreign investments and development of the export sphere. The government of Bosnia and Herzegovina is actively working to create a favourable business environment and improve the investment climate. The country is also focusing on infrastructure development, education, and innovation. Infrastructure projects such as roads, railways, and other facilities contribute to economic development and create new jobs. However, on the road to development, Bosnia and Herzegovina also faces significant internal challenges such as bureaucracy, corruption, and political instability. These factors could have a negative impact on the country's economic development and delay the implementation of necessary reforms. The government of Bosnia and Herzegovina should actively work on reforms to improve the business climate, fight corruption, and ensure legal stability to attract investment and stimulate economic growth.

Croatia, as a member of the European Union, faces specific challenges and opportunities for its economic policy. Accession to the European Union offers new opportunities for the country's development through access to the European market and financial support, but it also places demand on Croatia to implement reforms and achieve high standards of governance. One of the priorities of Croatia's economic policy is to attract foreign investment and stimulate exports. The country is actively developing and supporting the investment environment, as well as making efforts to develop the export sphere and expand international cooperation. Croatia is also focusing on the development of infrastructure, education, and science, which is an essential component of sustainable economic growth and increased competitiveness. Investments in technological development and innovation also play a vital role in the country's economic development strategy. However, Croatia also faces internal problems such as high unemployment, bureaucracy, and corruption. The national government should address these challenges by introducing effective reforms and policies to support entrepreneurship, reduce administrative obstacles, and increase transparency in governance. Such activities will help ensure sustainable economic development and an improved quality of life for Croatia.

Montenegro, as a small country with a small population and a developed tourism industry, faces unique challenges and opportunities in economic development (Montenegro Government Revenues, n.d.). One of the key areas of Montenegro's economic policy is the development of tourism and attraction of foreign investments in this sector.

The government actively promotes the development of infrastructure for tourism, supports marketing activities, and creates favourable conditions for investors. Apart from tourism, Montenegro is also developing other sectors such as agriculture, energy, and infrastructure. Diversification of the economy is an essential aspect of a country's economic development strategy, as it helps to reduce dependence on individual sectors and ensure the permanence of economic growth. Establishing effective management of economic resources is another major aspect of Montenegro's economic policy. The government is actively working to improve the business climate, reduce bureaucratic obstacles, and fight corruption to attract investment and encourage entrepreneurship. There are also activities to support small and medium-sized businesses, which are a valuable source of jobs and economic development. Montenegro is actively cooperating with international organisations and other countries to ensure sustainable economic development and improve the living standards of its population. The development of effective mechanisms for managing economic resources is an essential condition for achieving these goals.

North Macedonia, as a country experiencing a transitional phase after the dissolution of the former Yugoslavia, faces complex economic challenges and opportunities. One of the priorities of the country's economic policy is to stimulate economic growth and attract foreign investment. In this context, the government is developing SME support programmes aimed at creating new jobs and supporting entrepreneurship. One of the key areas of the economy of North Macedonia is agriculture. The government is actively working to develop this sector by introducing innovative technologies, increasing productivity, and supporting rural farms. Furthermore, international trade agreements are being concluded and expanded to promote exports, particularly of agricultural products. Another notable aspect of the economic policy of North Macedonia is the creation of a favourable investment climate and infrastructure development. The government is actively implementing reforms to ensure the protection of investors' rights, simplify business processes, and create favourable conditions for foreign investment. Infrastructure development, specifically transport and energy infrastructure, is also an important focus of the country's economic development strategy. Furthermore, North Macedonia actively cooperates with international financial institutions and other countries to ensure sustainable economic development and improve the living standards of its population. Establishing effective management of economic resources and implementing strategic economic reforms are key to achieving these goals.

The Republic of Kosovo is a young state undergoing significant economic and social transformation since its Constitution of the Republic of Kosovo (2008). In this context, the main objective of economic policy is to stimulate sustainable economic growth, business development, and improvement of the living standards of the population. One of the key aspects of economic policy is to create a favourable investment climate and attract foreign investment.

The government of the Republic of Kosovo is implementing reforms to improve the business environment, simplify bureaucratic procedures, and ensure the protection of investors' rights. SME support programmes aimed at creating new jobs and supporting entrepreneurship are also being developed. Infrastructure development is another essential aspect. The government of the Republic of Kosovo is actively investing in the construction and development of transport, energy, and communications infrastructure. This contributes to improving the business environment, developing international trade, and attracting foreign investment. Furthermore, the Republic of Kosovo is working on the development of education and science, which is a prominent factor for economic competitiveness. The introduction of the latest technologies and innovative solutions helps to increase labour productivity and create new opportunities for business development and economic growth. In addition, the government of the Republic of Kosovo is actively cooperating with international financial institutions and other countries to ensure sustainable economic development and improve the living standards of the population. The implementation of effective economic policies and the management of economic resources are essential tasks to achieve these goals.

Serbia, as one of the key countries in the Western Balkans, is on its way towards stable economic development after severe economic difficulties associated with the breakup of the former Yugoslavia (Jajcanin, 2024). In recent years, the country has been actively working to improve the business climate, develop infrastructure, and attract investment to stimulate economic growth. One of the main priorities of the Serbian Government's economic policy is to attract investments. The country is actively working to create a favourable investment climate, improve the legal environment, and simplify procedures for business. The programme of privatisation of state-owned enterprises and reform of the tax system to attract foreign investors is ongoing. Infrastructure development also plays a major role in Serbia's economic development strategy. The government is actively investing in the construction and modernisation of transport, energy, and communication networks. This creates a favourable environment for business development, improves access to markets, and boosts exports. Furthermore, the Serbian Government is paying special attention to the development of education and innovation. Support programmes for start-ups and innovative enterprises contribute to the creation of new jobs and increase the competitiveness of the economy. Despite these positive developments, Serbia's economy faces challenges such as bureaucracy, corruption, and high unemployment. The government continues to improve the political system and combat these challenges to create a favourable environment for economic growth and improve the living standards of the population.

Next, the study considered the key problems and challenges faced by the Western Balkan countries in the field of public financial management (Fig. 5).

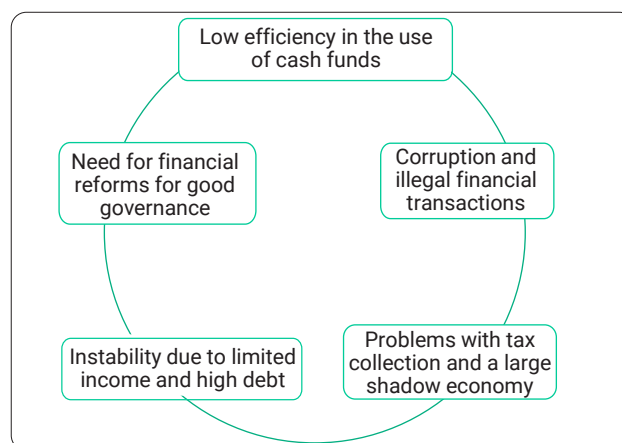


Figure 5. Key problems and challenges facing the Western Balkan countries in the field of public financial management

Source: developed by the authors

The low efficiency of cash utilisation in the Western Balkan countries is partly explained by a lack of transparency in financial processes, which makes it difficult to monitor and control expenditures. Furthermore, inefficient use of budgetary allocations can result from corruption schemes and lack of clear financial planning, which contributes to waste and misallocation of funds. Corruption and illegal financial transactions in the Western Balkans are a serious obstacle to financial sustainability and effective public financial management. Illicit financial transactions, such as money laundering and terrorist financing, can also undermine the financial stability of the region and undermine confidence in state institutions. Whereas problems with tax collection and the presence of a large shadow economy pose serious challenges to effective public financial management in the Western Balkans. Inefficiencies in the tax collection system can result in the shortfall of necessary funds for the operation of government programmes and services.

Problems with tax collection and the presence of a large shadow economy pose a serious challenge to effective public financial management in the Western Balkans region. Inefficiencies in the tax collection system can result in the shortfall of necessary funds to finance government programmes and services. The high level of shadow economy, often accompanied by tax evasion, exacerbates these problems and creates major losses for the state budget. Instability due to limited revenues and high debt is another significant challenge for public financial management in the Western Balkans region. Limited revenues can make it difficult to deliver public programmes and services, limiting the resources to fund them (Furmanchuk, 2023). The need for financial reforms for good governance is urgent in the context of the Western Balkan countries. Wide-ranging reforms should aim to improve the transparency, efficiency, and stability of public financial management. The Western Balkan countries face a range of complex challenges in public financial management, including a lack of

transparency, high levels of corruption, problems with tax collection, a large shadow economy, and financial instability. The Western Balkans region faces considerable public financial management challenges that need to be addressed to ensure sustainable economic development. Developing an effective financial management strategy and implementing the necessary reforms are key challenges for the region's political and economic leaders.

Therefore, concrete recommendations were developed to improve the transparency, efficiency, and stability of public financial management and to promote the development of a sustainable economy. To ensure greater transparency in public financial management, governments should establish publicly accessible financial portals where information on budget estimates, expenditures and revenues can be published. These portals should be accessible to citizens and businesses. Organising public consultations is also important for involving the public in financial discussions and ensuring their involvement in decision-making. To strengthen fiscal discipline, it is important to take measures aimed at reducing the budget deficit and controlling debt levels (Nikitishin, 2022). One way is to rationalise costs by reviewing and streamlining social security and other expenditure programmes. It is also necessary to actively control the level of public expenditure, avoid excessive spending, especially in areas not prioritised, and consider opportunities to increase budget revenues by expanding the tax base and improving tax administration. This approach will help ensure financial sustainability and increase confidence in the country's financial management.

For greater development of the financial system, governments should actively engage in reforming the banking sector to ensure its stability and soundness. It is also important to promote the development of credit institutions, including microfinance organisations, which can provide access to financial services for the less well-off and small businesses. Furthermore, there is a need for an effective regulatory framework for financial technology that will foster innovation and make financial services more accessible to all groups in society. Human capital development can be achieved by investing in the education system, ensuring access to quality education at all levels and reducing barriers to education. In addition, it is important to encourage skills development and workplace training programmes to adapt the workforce to changes in today's labour market. By increasing transparency, fiscal discipline, developing the financial system and investing in human capital, the countries of the Western Balkans region can strengthen their financial resilience and create conditions for sustainable economic growth and improved living standards.

Discussion

The study of proper financial management in economic development is a crucial task of researchers in modern world. Analysing proper financial management helps in identifying the causes of financial crises, developing best strategies and tools for financial management, and therefore

researchers have shown interest in considering and researching this topic.

L. Klapper & A. Lusardi (2019) noted that money plays a significant role in financial literacy and sustainability, as it underlies financial relations and affects the level of economic stability. Proper use and management of money can contribute to effective financial planning, saving, and investing. Consequently, proper management and understanding of the role of money contributes to financial literacy and sustainability both at the individual level and at the level of the economy as a whole. According to E. Berisha & G. Cotella (2021), the results of this study coincide with the preliminary findings, emphasising that effective management of financial resources can stimulate investment in infrastructure, business development, and support regional development. However, K. Böhme *et al.* (2019) point out that effective management of financial resources does not always lead to territorial development, since the effectiveness of such management can be hampered by corruption, instability of the political situation, and lack of transparency in budget spending. Thus, while some studies confirm the positive impact of effective financial resource management on territorial development, others emphasise the difficulties that may arise in implementing such policies.

The analysis results confirmed that the countries of the Western Balkans region have considerable potential for economic development, but face a range of challenges, such as insufficient infrastructure, high unemployment, and low competitiveness. The findings coincided with the those of M. Bonomi & M. Uvalic (2019), who noted that the countries that have not joined the European Union can have a significant impact on the economic development of the Western Balkans region. Specifically, this includes the participation of such countries in international trade agreements, cooperation in infrastructure projects and investments. However, there are opposing views indicating that the importance of such players may be limited due to their resources as well as economic constraints. At the same time, F. Bieber & N. Tzifakis (2019) emphasise the significance of independence and autonomy of countries that have not joined the EU in making their own economic decisions. They note the importance of developing domestic economic potential, attracting investment, and supporting small and medium-sized businesses. However, there are arguments that insufficient integration with the European Union may limit opportunities for economic growth and development. The findings of the study on the economic integration of the Western Balkans in the EU point to different perspectives and challenges. On the one hand, accession to the EU can provide countries in the region with access to a large market, investment, and technology, which will contribute to their economic growth and development. More trade with the EU can help attract investment and develop export-oriented industries (Monaienko *et al.*, 2024). In addition, the integration process may pose some challenges for the Western Balkan countries. These may include requirements for legislative

harmonisation, justice and anti-corruption reforms, and economic competitiveness.

M. Uvalić (2019), R. Osbild & W. Bartlett (2019), M. Vulović (2023) state that accession to the European Union can have a positive impact on the economic development of the Western Balkan countries, which coincides with the findings of the present study. This process is expected to provide the countries of the region with an opportunity to converge with the high standards of living and economic development found in the European Union. Specifically, accession to the European Union can help create new export opportunities, increase investment flows, improve the availability of financial resources for development, and transfer advanced technologies and management practices. Such access to new markets and resources can increase the competitiveness of countries in the region and contribute to their sustainable economic growth in the future. However, some inconsistencies were found, which were highlighted in the studies of M. Kmezić (2020) and A. Hoxhaj (2021), especially in terms of the potential challenges and limitations of integration. The researchers point out that not all Western Balkan countries are economically, politically, and institutionally ready to join the European Union, and the process may require considerable reforms and adaptations. They also emphasise the potential negative effects of integration, such as increased competition, the risk of loss of national sovereignty and shortcomings in the internal development of the countries in the region. Furthermore, the study has made it possible to find out which countries in the Western Balkans region have the greatest potential for economic growth, as well as to identify the principal factors affecting their economies. The study found that Western Balkan countries such as Croatia and Serbia have the greatest potential for economic growth in the region. The key factors affecting their economies include the level of investment, infrastructure development, stability of the political and economic environment, and the availability of human capital and innovative technologies.

These findings coincide with those of G. Matković (2019), E. Durguti *et al.* (2020), and S. Weiss (2020), who examined the indicators of economic development of the Western Balkan countries and noted that a considerable part of studies confirms the positive impact of European integration on the economic development of the region. This includes access to new markets and investments, export promotion, and the transfer of advanced technologies, thus confirming that these benefits contribute to sustainable economic growth and improve the socio-economic status of the population. On the other hand, R. Zamfir (2020) and D. Mikulić (2021) point out potential risks and challenges associated with European integration, which slightly disagree with the results of the present study. These could be the financial obligations associated with accession to the European Union, as well as the need for a wide range of reforms in the internal sectors of the economy. Between these risk factors, the researchers noted the spread of the shadow economy, which poses a serious

threat to economic stability and the efficient functioning of markets in the Western Balkan countries. The shadow economy, which includes informal and illegal economic transactions, can substantially undermine the economic base of countries in the region, making it more difficult to control finances and tax revenues (Spytska, 2023). Unlike other regions, the Western Balkan countries are an attractive investment destination because of their considerable potential in many sectors of the economy. This was identified as a consequence of a range of factors, including their strategic location, availability of natural resources, advanced infrastructure, and low labour costs.

V. Rant *et al.* (2020), D. Marjanović & M. Đukić (2020), E. Smolo (2021) confirm these findings by the fact that the Western Balkan countries have prominent potential for investment in sectors such as tourism, energy, information technology, and manufacturing. Their natural resources and strategic location make them important players in international trade and logistics. However, A. Shehaj (2020), O. Muharremi (2020) and M. Kmezić (2021) disagree with these findings, as there are certain risks and challenges associated with investing in the Western Balkan countries, such as underdeveloped business infrastructure, unpredictable political situation, and corruption. These factors can lead to instability and risks for investors, which should be considered when making investment decisions in the region. Thus, proceeding from the analysed sources, the study of economic growth in the financial sector is a crucial topic, especially for the Western Balkan countries, since each country has its specific economic and political features that affect public financial management in economic development.

Conclusions

A study of the importance of proper financial management in economic development compared to the Western Balkans found that good financial management plays a key role in ensuring sustainable economic growth and social prosperity in the region. In examining the role of money in the regulation of the economy by the state, it was found that proper management of public money plays a key role in ensuring sustainable economic development. It was also confirmed that efficient administration of financial resources contributes to increasing the efficiency of government programmes, attracting investment, and stimulating economic growth.

The study analysed the current state of public financial management in each country of the Western Balkans using Trading Economics and Take-profit.org websites, which provide statistical data on the state budget, public revenues, and expenditures of these countries. A comparative analysis was made between all countries in the Western Balkans region and it was confirmed that countries such as Bosnia and Herzegovina, Albania, Croatia, which have a system of effective financial management, also achieve more stable and progressive economic results compared to those where such a system is absent or ineffective. On the other hand, countries that have problems with effective

financial management, such as the Republic of Kosovo, Serbia, North Macedonia, and Montenegro, face difficulties in achieving stable economic growth and social prosperity due to excessive levels of corruption and instability of the economic situation.

Using qualitative indicators, the study found that Western Balkan countries with developed financial management systems have higher levels of economic stability, lower levels of corruption, greater attractiveness to investors, and higher levels of social welfare. In addition, the analysis of the economic policy and economic resource management in the Western Balkan countries revealed that each of them has its development strategy aimed at solving concrete problems and challenges. For instance, some countries emphasise investment attraction and infrastructure development (Serbia and Montenegro), while others favour education and innovation (Albania). An essential element of economic policy is the fight against corruption and bureaucracy, as well as the development of infrastructure to create favourable conditions for business and attract investment. Furthermore, key issues and challenges facing them in public financial management were identified. Specifically, these countries were found to be experiencing great difficulties in maintaining financial stability and

efficient use of budgetary resources, and these challenges posed major obstacles to their economic development.

Based on these findings, it is recommended to actively work on improving the transparency and efficiency of public financial management by creating publicly accessible financial portals and organising public consultations. It is also important to note the limitations of this study, which may include limited availability of statistical data or the volume of data, which may affect the level of detail and validity of the analysis. Furthermore, it is important to consider that some aspects of public financial management may be influenced by political or socio-cultural factors, which may also affect the findings of the study.

In the future, it is possible to improve the obtained findings by implementing a system of monitoring and evaluating the effectiveness of the proposed public financial management measures in the countries of the Western Balkans region.

Acknowledgements

None.

Conflict of Interest

None.

References

- [1] Bajra, U.Q. (2021). The interactive effects of remittances on economic growth and inequality in Western Balkan countries. *Journal of Business Economics and Management*, 22(3), 757-775. doi: 10.3846/jbem.2021.14587.
- [2] Bajrami, R., Gashi, A., Ukshini, K., & Rexha, D. (2022). Impact of the government size on economic growth in the western Balkan countries. *Journal of Governance and Regulation*, 11(1), 55-63. doi: 10.22495/jgrv11i1art6.
- [3] Berisha, E., & Cotella, G. (2021). Territorial development and governance in the Western Balkans. In *Governing territorial development in the Western Balkans: Challenges and prospects of regional cooperation* (pp. 23-42). Cham: Springer. doi: 10.1007/978-3-030-72124-4_2.
- [4] Bexheti, A., Sadiku, L., & Sadiku, M. (2020). The impact of public debt on economic growth: Empirical analyses for Western Balkan countries. In *Proceedings of the 10th international conference "Economic and financial challenges for Balkan and eastern European countries"* (pp. 13-32). Cham: Springer. doi: 10.1007/978-3-030-39927-6_2.
- [5] Bieber, F., & Tzifakis, N. (2019). *The Western Balkans as a geopolitical chessboard? Myths, realities and policy options*. Retrieved from https://www.biepag.eu/wp-content/uploads/2021/07/The_Western_Balkans_as_a_Geopolitical_Chessboard.pdf.
- [6] Böhme, K., Toptsidou, M., Lüer, C., Toto, R., Ciro, A., & Shutina, D. (2019). *The Western Balkans in the Territorial Agenda post-2020: An opportunity not to be missed*. Tirana: Institute for Habitat Development.
- [7] Bonomi, M., & Uvalic, M. (2019). The economic development of the Western Balkans: The importance of non-EU actors. In *The Western Balkans in the World. Linkages and relations with non-western countries* (pp. 36-58). London, New York: Routledge. doi: 10.4324/9780429243349.
- [8] Central Bank of Bosnia and Herzegovina. (2023). *Annual Report*. Retrieved from <https://www.cbbh.ba/Content/Archive/36>.
- [9] Central Bank of the Republic of Kosovo. (2024). *Statement of financial position CBK*. Retrieved from <https://bqk-kos.org/wp-content/uploads/2024/03/Statement-of-financial-position-CBK-29-February-2024.pdf>.
- [10] Çitaku, S., Asllani, G., Luboteni, G., & Grima, S. (2020). Financial integration, banking supervision and sustainability of the Western Balkan countries. *International Journal of Economics and Business Administration*, 8(1), 3-14. doi: 10.35808/ijeba/404.
- [11] Constitution of the Republic of Kosovo. (2008, April). Retrieved from <http://surl.li/urcqk>.
- [12] Croatian National Bank. (2024). *Main macroeconomic indicators*. Retrieved from <https://www.hnb.hr/en/statistics/main-macroeconomic-indicators>.
- [13] Durguti, E., Gashi, E., Kunoviku-Demiri, F., & Mehmeti, M. (2020). Evaluation of economic indicators for Western Balkans countries: Policy recommendations for the financial and economic growth. *International Journal of Finance & Banking Studies*, 9(1), 36-46. doi: 10.20525/ijfbs.v9i1.652.

- [14] Feruni, N., Hysa, E., Panait, M., Rădulescu, I.G., & Brezoi, A. (2020). The impact of corruption, economic freedom and urbanization on economic development: Western Balkans versus EU-27. *Sustainability*, 12(22), article number 9743. doi: [10.3390/su12229743](https://doi.org/10.3390/su12229743).
- [15] Furmanchuk, O. (2023). The role of state finance audit in the system of accounting and analytical support of the state funds management system. *Economics of Development*, 22(4), 34-42. doi: [10.57111/econ/4.2023.34](https://doi.org/10.57111/econ/4.2023.34).
- [16] Hoxhaj, A. (2021). The EU rule of law initiative towards the Western Balkans. *Hague Journal on the Rule of Law*, 13(1), 143-172. doi: [10.1007/s40803-020-00148-w](https://doi.org/10.1007/s40803-020-00148-w).
- [17] Jajcanin, D. (2024). *Serbia's budget deficit shrinks to 401.7 mln euro in Jan-Nov*. Retrieved from <https://seenews.com/news/serbias-budget-deficit-shrinks-to-4017-mln-euro-in-jan-nov-844878>.
- [18] Kihombo, S., Ahmed, Z., Chen, S., Adebayo, T.S., & Kirikkaleli, D. (2021). Linking financial development, economic growth, and ecological footprint: What is the role of technological innovation? *Environmental Science and Pollution Research*, 28(43), 61235-61245. doi: [10.1007/s11356-021-14993-1](https://doi.org/10.1007/s11356-021-14993-1).
- [19] Klapper, L., & Lusardi, A. (2019). Financial literacy and financial resilience: Evidence from around the world. *Financial Management*, 49(3), 589-614. doi: [10.1111/fima.12283](https://doi.org/10.1111/fima.12283).
- [20] Kmezić, M. (2020). Recalibrating the EU's approach to the Western Balkans. *European View*, 19(1), 54-61. doi: [10.1177/1781685820913655](https://doi.org/10.1177/1781685820913655).
- [21] Kmezić, M. (2021). Rule of law and democracy in the Western Balkans: Addressing the gap between policies and practice. *Southeast European and Black Sea Studies*, 20(1), 183-198. doi: [10.1080/14683857.2019.1706257](https://doi.org/10.1080/14683857.2019.1706257).
- [22] Loxha, A. (2019). Do remittances reduce poverty in Kosovo? – A counterfactual analysis. *South East European Journal of Economics and Business*, 14(2), 117-132. doi: [10.2478/jeb-2019-0018](https://doi.org/10.2478/jeb-2019-0018).
- [23] Lukšić, I., Bošković, B., Novikova, A., & Vrbensky, R. (2022). Innovative financing of the sustainable development goals in the countries of the Western Balkans. *Energy, Sustainability and Society*, 12, article number 15. doi: [10.1186/s13705-022-00340-w](https://doi.org/10.1186/s13705-022-00340-w).
- [24] Makohon, V. (2022). Directions for improvement of health care financing system. *University Economic Bulletin*, 17(1), 155-160. doi: [10.31470/2306-546X-2022-52-155-160](https://doi.org/10.31470/2306-546X-2022-52-155-160).
- [25] Marjanović, D., & Đukić, M. (2020). Western Balkan countries as an attractive investment destination. *Economic Analysis*, 53(2), 109-120. doi: [10.28934/ea.20.53.2.pp109-120](https://doi.org/10.28934/ea.20.53.2.pp109-120).
- [26] Matković, G. (2019). The welfare state in Western Balkan countries: Challenges and options. *Statutory Office*, 57(1), 27-52. doi: [10.2298/STNV190624004M](https://doi.org/10.2298/STNV190624004M).
- [27] Melnykova, K. (2023). Mechanisms of achieving sustainable micrologistics system functioning. *Development Management*, 22(2), 30-38. doi: [10.57111/devt/2.2023.30](https://doi.org/10.57111/devt/2.2023.30).
- [28] Mikulić, D. (2021). Volume of the unofficial economy in the Western Balkan region. *Economic Research*, 34(1), 1603-1622. doi: [10.1080/1331677X.2020.1844584](https://doi.org/10.1080/1331677X.2020.1844584).
- [29] Ministry of Finance of the Republic of Albania. (2024). *Government Securities Report*. Retrieved from <http://surl.li/urdxr>.
- [30] Monaienko, A., Atamanchuk, N., Soldatenko, O., Vlasenko, V., & Striiashko, G. (2024). Legal foundations of stimulating fiscal policy in the EU. *Social and Legal Studios*, 7(1), 56-64. doi: [10.32518/sals1.2024.65](https://doi.org/10.32518/sals1.2024.65).
- [31] Montenegro Government Revenues. (n.d.). Retrieved from <https://tradingeconomics.com/montenegro/government-revenues>.
- [32] Morina, F., & Misiri, V. (2019). [Impact of taxation, public dept and subsidiaries in the budget deficit of Western Balkan countries](https://doi.org/10.2478/11356-021-14993-1). *Knowledge – International Journal*, 31(1), 95-100.
- [33] Muharremi, O. (2020). Discussion: Challenges and recent developments of foreign direct investments in Albania and Western Balkan countries. *Central European Business Review*, 9(4), 96-111. doi: [10.18267/j.cebr.242](https://doi.org/10.18267/j.cebr.242).
- [34] National Bank of the Republic of Macedonia. (n.d.). *External Statistics*. Retrieved from <https://www.nbrm.mk/eksterni-statistiki-en.nspix>.
- [35] Nikitishin, A. (2022). Formation and implementation of the country's budget under conditions of the global COVID-19 pandemic. *University Economic Bulletin*, 17(1), 161-167. doi: [10.31470/2306-546X-2022-52-161-167](https://doi.org/10.31470/2306-546X-2022-52-161-167).
- [36] Osbild, R., & Bartlett, W. (2019). The Western Balkans on the road to the EU: An introduction. In *Western Balkan economies in transition: Recent economic and social developments* (pp. 1-13). Cham: Springer. doi: [10.1007/978-3-319-93665-9_1](https://doi.org/10.1007/978-3-319-93665-9_1).
- [37] Rant, V., Mrak, M., & Marinč, M. (2020). The Western Balkans and the EU budget: The effects of enlargement. *Southeast European and Black Sea Studies*, 20(3), 431-453. doi: [10.1080/14683857.2020.1793061](https://doi.org/10.1080/14683857.2020.1793061).
- [38] Shehaj, A. (2020). The perils of succor: The European Union's financial role in the Western Balkans during COVID-19. *European Policy Analysis*, 6(2), 264-276. doi: [10.1002/epa2.1102](https://doi.org/10.1002/epa2.1102).
- [39] Significance of Money. (2023). Retrieved from <https://www.geeksforgEEKS.org/significance-of-money/>.
- [40] Smolo, E. (2021). [The FDI and economic growth in the Western Balkans: The role of institutions](https://doi.org/10.1007/978-3-319-93665-9_1). *Journal of Economic Cooperation and Development*, 42(3), 147-170.

- [41] Spytka, L. (2023). Prospects for the legalization of cryptocurrency in Ukraine, based on the experience of other countries. *Social and Legal Studies*, 6(4), 226-232. doi: 10.32518/sals4.2023.226.
- [42] Statistical Office of Montenegro. (n.d.). *Montenegro monthly statistical review 2021 (September)*. Retrieved from <https://ghdx.healthdata.org/record/montenegro-monthly-statistical-review-2021-september>.
- [43] Statistical Office of the Republic of Serbia. (2023). *Economic trends in the Republic of Serbia in 2023*. Retrieved from <https://www.stat.gov.rs/en-us/vesti/20231229-ekonomska-kretanja-2023/?s=090201>.
- [44] Take-profit.org. (n.d.). *Key economic indicators of the European Union*. Retrieved from <https://take-profit.org/statistics/countries/european-union/>.
- [45] Trading Economics. (n.d.). *GDP from public administration*. Retrieved from <https://tradingeconomics.com/country-list/gdp-from-public-administration>.
- [46] Uvalić, M. (2019). Economic integration of the Western Balkans into the European Union: The role of EU policies. In *The Europeanisation of the Western Balkans: A failure of EU conditionality?* (pp. 207-235). Cham: Palgrave Macmillan. doi: 10.1007/978-3-319-91412-1_10.
- [47] Vulović, M. (2023). *Economic relations between the Western Balkans and Non-EU countries*. Retrieved from https://www.swp-berlin.org/publications/products/comments/2023C36_WesternBalkans.pdf.
- [48] Weiss, S. (2020). *Pushing on a string? An evaluation of regional economic cooperation in the Western Balkans*. Retrieved from https://aei.pitt.edu/103198/1/Pushing_on_a_string.pdf.
- [49] Zamfir, R. (2020). *Risks and vulnerabilities in the Western Balkans*. Retrieved from <https://stratcomcoe.org/publications/risks-and-vulnerabilities-in-the-western-balkans/57>.

Важливість належного управління державними фінансами для економічного розвитку

Бахрі Рекша

Доктор юридичних наук, доцент

Бізнес-коледж

1000, вул. Мотрат Кіріазі, 29, м. Приштина, Республіка Косово

<https://orcid.org/0000-0001-6510-1900>

Фаділ Османі

Доктор юридичних наук, доцент

Державний університет Кадрі Зека

6000, вул. Зія Шемсіу, м. Гжилан, Республіка Косово

<https://orcid.org/0000-0001-6055-5647>

Артан Німані

Доктор економічних наук, доцент

Університет «Фемі Агані» в Гякові

50000, вул. Ісмаїла Кемалі, м. Гякова, Республіка Косово

<https://orcid.org/0000-0001-6972-9172>

Анотація. Метою цього дослідження було вивчення важливості належного управління державними фінансами для забезпечення економічного розвитку в країнах Західних Балкан. Дослідження ґрунтується на порівняльному аналізі фінансової політики та практики управління бюджетом у країнах регіону Західних Балкан, а саме: Албанії, Боснії і Герцеговині, Хорватії, Чорногорії, Північній Македонії, Республіці Косово, Сербії та Чорногорії. Методологічний підхід включав аналіз статистичних даних з офіційних сайтів та джерел. Ключовими висновками цього дослідження стали висвітлення ролі грошей у належному управлінні державними фінансами, а також аналіз економічної політики та управління економічними ресурсами кожної з країн Західних Балкан та порівняння динаміки державного бюджету, доходів і видатків за 2021-2023 роки всіх країн регіону Західних Балкан. На основі аналізу статистичних даних були визначені ключові аспекти, що впливають на ефективність управління державними фінансами в країнах Західних Балкан, такі як прозорість бюджетних процесів, результативність боротьби з корупцією та ефективність використання фінансових ресурсів. Унікальні та об'єктивні дані, отримані в ході дослідження, допомогли висвітлити специфіку управління фінансами в кожній з країн регіону та виявити фактори, що стримують або сприяють їх економічному розвитку. Висновки дослідження підкреслили необхідність реформ в управлінні державними фінансами на Західних Балканах для підтримки сталого економічного зростання та соціально-економічної стабільності в регіоні. Особлива увага до прозорості, ефективності та підзвітності бюджетних витрат може сприяти підвищенню довіри інвесторів та зміцненню економічної системи країни

Ключові слова: фінансова стійкість; бюджетний дефіцит; диверсифікація доходів; макроекономіка; ефективність управління
